

Auditing Procedures Report V1.04



Issued under Public Act 2 of 1968, as amended.

Unit Name	Baltimore Township	County	BARRY	Type	TOWNSHIP	MuniCode	08-1-020
Opinion Date-Use Calendar	Jun 26, 2008	Audit Submitted-Use Calendar	Aug 13, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 213,294.00
General Fund Expenditure:	\$ 216,425.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 270,522.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Katherine K	Last Name	Sheldon	Ten Digit License Number	1101023575		
CPA Street Address	525 W Apple St	City	Hastings	State	MI	Zip Code	49058
CPA Firm Name	Walker, Fluke & Sheldon, PLLC	Unit's Street Address	3100 Dowling Rd	City	Hastings	LU Zip	49058

BALTIMORE TOWNSHIP
FINANCIAL STATEMENTS
For the year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Baltimore Township
Barry County, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baltimore Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Baltimore Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Baltimore Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Baltimore Township's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Baltimore Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
June 26, 2008

Walker, Fluke & Sheldon, PLC

BALTIMORE TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Primary Government</u>	
	Governmental	
ASSETS	Activities	Total
Cash and Cash Equivalents	\$ 121,871	\$ 121,871
Investments	121,572	121,572
Receivables (Net)		
Taxes	7,006	7,006
Due From State	19,823	19,823
Due From Other Funds	4,408	4,408
Restricted Assets	65,075	65,075
Investment in Joint Venture	144,161	144,161
Capital Assets (Net of Accumulated Depreciation)	<u>242,369</u>	<u>242,369</u>
Total Assets	<u>726,285</u>	<u>726,285</u>
LIABILITIES		
Accounts Payable	2,718	2,718
Other Accrued Liabilities	3,209	3,209
Due to Other Funds	<u>2,246</u>	<u>2,246</u>
Total Liabilities	<u>8,173</u>	<u>8,173</u>
NET ASSETS		
Net Assets		
Invested in Capital Assets, Net of Related Debt	242,370	242,370
Restricted for Library	61,060	61,060
Unrestricted	<u>414,682</u>	<u>414,682</u>
Total Net Assets	<u>\$ 718,112</u>	<u>\$ 718,112</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government					
Governmental Activities					
Legislative	\$ 11,492	\$ -	\$ -	\$ (11,492)	\$ (11,492)
General Government	87,699	13,402	-	(74,297)	(74,297)
Public Safety	69,392	-	-	(69,392)	(69,392)
Public Works	44,667	-	-	(44,667)	(44,667)
Health and Welfare	1,000	-	-	(1,000)	(1,000)
Recreation and Cultural	43,033	8,797	29,892	(4,344)	(4,344)
Other	9,962	-	-	(9,962)	(9,962)
Total Governmental Activities	<u>267,245</u>	<u>22,199</u>	<u>29,892</u>	<u>(215,154)</u>	<u>(215,154)</u>
Total Primary Government	<u>\$ 267,245</u>	<u>\$ 22,199</u>	<u>\$ 29,892</u>	<u>(215,154)</u>	<u>(215,154)</u>
General Revenues					
Taxes and Penalties				69,465	69,465
State Grants				128,730	128,730
Interest and Rentals				11,121	11,121
Other Revenue				<u>8,258</u>	<u>8,258</u>
Total General Revenue				<u>217,574</u>	<u>217,574</u>
Gain on Equity Interest in Joint Venture				<u>370</u>	<u>370</u>
Change in Net Assets				2,790	2,790
Net Assets-Beginning				<u>715,322</u>	<u>715,322</u>
Net Assets-Ending				<u>\$ 718,112</u>	<u>\$ 718,112</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008

	General Fund	Library Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 121,871	\$ 65,075	\$ 186,946
Investments	121,572	-	121,572
Receivables			
Taxes	5,575	1,431	7,006
Due From State	19,823	-	19,823
Due From Other Funds	<u>4,408</u>	<u>-</u>	<u>4,408</u>
Total Assets	<u>\$ 273,249</u>	<u>\$ 66,506</u>	<u>\$ 339,755</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$ 500	\$ 2,218	\$ 2,718
Other Accrued Liabilities	2,227	982	3,209
Due to Other Funds	<u>-</u>	<u>2,246</u>	<u>2,246</u>
Total Liabilities	<u>2,727</u>	<u>5,446</u>	<u>8,173</u>
Fund Balances			
Unreserved-Undesignated	229,165	61,060	290,225
Reserved	-	-	-
Designated	<u>41,357</u>	<u>-</u>	<u>41,357</u>
Total Fund Balances	<u>270,522</u>	<u>61,060</u>	<u>331,582</u>
Total Liabilities and Fund Balance	<u>\$ 273,249</u>	<u>\$ 66,506</u>	<u>\$ 339,755</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Governmental Fund Balance - March 31, 2008		\$ 331,582
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 329,774	
Less: Accumulated depreciation	<u>(87,405)</u>	242,369
Investment in Joint Venture in governmental activities is not a financial resource and therefore is not reported in the governmental funds		<u>144,161</u>
Net Assets of Governmental Activities		<u>\$ 718,112</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2008

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes and Penalties	\$ 55,771	\$ 13,694	\$ 69,465
State Grants	128,730	3,526	132,256
Contributions from Local Units	-	25,887	25,887
Charges for Services	10,252	-	10,252
Fines and Forfeits	-	8,797	8,797
Interest and Rentals	13,193	1,078	14,271
Other Revenue	<u>5,348</u>	<u>3,389</u>	<u>8,737</u>
Total Revenues	<u>213,294</u>	<u>56,371</u>	<u>269,665</u>
Expenditures			
Legislative	11,492	-	11,492
General Government	79,912	-	79,912
Public Safety	69,392	-	69,392
Public Works	44,667	-	44,667
Health and Welfare	1,000	-	1,000
Recreation and Cultural	-	40,882	40,882
Other	<u>9,962</u>	<u>-</u>	<u>9,962</u>
Total Expenditures	<u>216,425</u>	<u>40,882</u>	<u>257,307</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(3,131)</u>	<u>15,489</u>	<u>12,358</u>
Fund Balance-April 1, 2007	<u>273,653</u>	<u>45,571</u>	<u>319,224</u>
Fund Balance-March 31, 2008	<u>\$ 270,522</u>	<u>\$ 61,060</u>	<u>\$ 331,582</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
March 31, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 12,358**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ -	
Less: Current year depreciation	9,938	
Less: Loss from Disposal of Capital Assets	<u>-</u>	(9,938)

Investment in Joint Venture in governmental activities is not a financial resource and therefore is not reported in the governmental funds	<u>370</u>
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Change in Net Assets of Governmental Activities	<u>\$ 2,790</u>
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The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
FIDUCIARY FUNDS STATEMENT OF NET ASSETS
March 31, 2008

ASSETS	Pension Trust	Current Tax Collection
Cash	\$ -	\$ 2,162
Investments-at Fair Value:		
Other Investments	<u>27,699</u>	<u>-</u>
Total Assets	<u>27,699</u>	<u>2,162</u>
LIABILITIES		
Due to Other Funds	<u>-</u>	<u>2,162</u>
Total Liabilities	<u>-</u>	<u>2,162</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 27,699</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2008

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ <u>2,606</u>
Total Contributions	2,606
Investment Income	
Interest and Dividends	<u>1,207</u>
Total Additions	<u>3,813</u>
Deductions	
Employee Withdrawals and Transfers	-
Charges	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	3,813
Net Assets-Beginning	<u>23,886</u>
Net Assets-Ending	<u>\$ 27,699</u>

The Notes to Financial Statements are an integral part of this statement.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Baltimore Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Baltimore Township:

REPORTING ENTITY

Baltimore Township is situated in the central portion of Barry County. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

JOINT VENTURES

Fire Department

The Township, together with the Townships of Irving, Rutland, Carlton and Hastings Charter has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the BIRCH FIRE DEPARTMENT. The organizational agreement provides that financing of the Department's activities will be as follows:

"Each Township shall pay an amount of money equal to an agreed millage rate which shall be the same for all Townships, determined as if said millage rate was spread upon the tax roll in each Township or area of each Township served by the department. The amount of the millage shall be determined annually by the Board of Directors of BIRCH and shall be approved by each Township Board as part of the budget of BIRCH each year.

Once the millage has been determined and approved as provided above, the amount of money representing the millage in each Township can be raised by any means available to each township and does not have to be spread upon the tax roll as a 'special assessment'."

The Township Board of each member Township appoints one elected official to the BIRCH Board of Directors. The BIRCH Board of Directors appoints one member at large from each member Township. The member at large must be a resident and property owner in the district served.

The equity ownership of each Township which is a part of BIRCH in each major piece of fire apparatus or equipment or any personal property having a value of more than \$1,000 is determined using the percentage contribution of each Township as compared with the total contribution of all Townships during the year in which said asset was purchased. Equipment, apparatus and personal property, which is owned by BIRCH but was bought for a sum less than \$1,000, shall give each Township an equity interest in said property equal to the then current percentage of contribution of each Township as compared with the total contributions of all Townships for the current year.

Baltimore Township's share of the cost of fire protection remitted to BIRCH for the year ended March 31, 2008 was \$69,392.

The following information summarizes the activity of the joint venture through June 30, 2007 the most recent complete financial statements available.

Total Assets	\$ 471,521	Total Revenues	\$ 367,614
Total Liabilities	\$ -	Total Expenditures	\$ 395,525
Total Unrestricted Net Assets	\$ 177,453	Increase (Decrease) in Net Assets	\$ (27,911)
Total Capital Assets	\$ 294,068		
Total Joint Venture Outstanding Debt	\$ -		

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department (Continued)

Complete financial statements for BIRCH Fire Department can be obtained as from:

Shirley Drake, Treasurer
9938 S. M-37 Hwy
Dowling, MI 49050

Birch Township's total equity share in BIRCH Rural Fire Department is \$144,161, of which \$108,670 represents their equity interest in the fixed assets.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Although the Township ad valorem tax is levied and collectible on February 1st, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation of the Township totaled \$46,423,370 on which ad valorem taxes levied consisted of .8977 mills for Township operating purposes and .2591 mills for the Library, raising \$41,670 for operating purposes and \$13,694 for the library.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Library Fund accounts for the Township's support of Dowling Public Library. Revenues are primarily derived from property taxes.

Additionally, the government reports the following fiduciary fund types:

- The Pension Trust Fund accounts for the activities of the retirement system, which accumulates resources for pension benefit payments to qualified employees.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Barry County. For 2007, the Township received its settlement of delinquent property taxes from Barry County within the sixty-day period and therefore recognized the revenue as current year property tax revenue.

Restricted Assets - The Township has restricted assets for library services. By restricting a portion of the net assets for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than roads and special assessments.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>General Assets</u>	
Buildings	40 years
Land Improvements	20 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The Township currently has no long-term obligations.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Designated Fund Balances - The Township has designated fund balances for cemetery improvements, contingency funds and dust control. By designating a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts designated are to be used for a specific purpose. The Township Board can change the amounts so designated if they desire.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets were adopted for all required governmental fund types, except for the fire fund, which is a new fund in the current year. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body for the general fund is the department level and for the library fund it is the line item level.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Baltimore Township

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
Special Reveune			
Library:			
Publications & Books	\$ 4,500	\$ 4,565	\$ 65
Utilities	\$ 3,000	\$ 4,596	\$ 1,596
Repairs & Maintenance	\$ -	\$ 51	\$ 51
Automation	\$ 2,000	\$ 2,584	\$ 584
Miscellaneous	\$ -	\$ 2,684	\$ 2,684
Supplies	\$ -	\$ 2,715	\$ 2,715
Co-Op Costs	\$ 2,500	\$ 3,108	\$ 608

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated two banks, an investment company for the deposit of Baltimore Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, Gleaners Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 121,871	\$ 2,162	\$ 124,033
Investments	121,572	-	121,572
Restricted	<u>65,075</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 308,518</u>	<u>\$ 2,162</u>	<u>\$ 310,680</u>

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 310,680
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 310,680</u>

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, the Township has deposits with a carrying amount of \$310,680 and a bank balance of \$315,545. Of the bank balance, \$170,571 is covered by federal depository insurance and \$144,974 is uninsured and \$0 is collateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 25,517	\$ -	\$ -	\$ 25,517
Subtotal	<u>25,517</u>	<u>-</u>	<u>-</u>	<u>25,517</u>
Capital Assets Being Depreciated				
Buildings	242,824	-	-	242,824
Land Improvements	17,455	-	-	17,455
Furniture	3,152	-	-	3,152
Equipment	22,617	-	-	22,617
Data Processing Equipment	<u>18,209</u>	<u>-</u>	<u>-</u>	<u>18,209</u>
Subtotal	<u>304,257</u>	<u>-</u>	<u>-</u>	<u>304,257</u>
Less Accumulated Depreciation for				
Buildings	51,014	5,107	-	56,121
Land Improvements	4,364	742	-	5,106
Furniture	1,892	284	-	2,176
Equipment	10,053	1,831	-	11,884
Data Processing Equipment	<u>10,144</u>	<u>1,974</u>	<u>-</u>	<u>12,118</u>
Subtotal	<u>77,467</u>	<u>9,938</u>	<u>-</u>	<u>87,405</u>
Net Capital Assets Being Depreciated	<u>226,790</u>	<u>(9,938)</u>	<u>-</u>	<u>216,852</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 252,307</u>	<u>\$ (9,938)</u>	<u>\$ -</u>	<u>\$ 242,369</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities	
General Government	\$ 7,787
Recreation and Cultural	<u>2,151</u>
Total Government Activities	<u>\$ 9,938</u>

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008**

INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 4,408	Tax	\$ 2,162
		Library	2,246
	<u>\$ 4,408</u>		<u>\$ 4,408</u>

DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its eligible employees. The participants' accounts are held by Municipal Retirement Systems, Inc in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all members of the township board. Contributions by the Township vest immediately. The Township contributes 100% of the premium or charges arising under the pension contract.

During the year, the Township's required and actual contributions amounted to \$2,606, which was 10.00% of its current-year covered payroll of \$26,060. The total fiscal year payroll was \$64,672. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

RISK MANAGEMENT (Continued)

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2008, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

PRIOR PERIOD ADJUSTMENT

A certain error, resulting in the understatement of fund balance in the prior year, was corrected during the March 31, 2008 audit. The cumulative effect on fund balance from this error is as follows:

	<u>Library Fund</u>	<u>Governmental Activities</u>
Fund Balance at April 1, 2007, as previously reported	\$ 42,333	
March 31, 2007 Receivable not recorded	<u>3,238</u>	
Fund Balance at March 31, 2007, as restated	<u>\$ 45,571</u>	
Net Assets at April 1, 2007, as previously reported		\$ 712,084
March 31, 2007 Receivable not recorded		<u>3,238</u>
Net Assets at March 31, 2007, as restated		<u>\$ 715,322</u>

BALTIMORE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 273,653	\$ 273,653	\$ 273,653	\$ -
Resources (Inflows)				
Taxes and Penalties	68,500	68,500	55,771	(12,729)
State Grants	133,000	133,000	128,730	(4,270)
Charges for Services	12,000	12,000	10,252	(1,748)
Interest and Rentals	9,000	9,000	13,193	4,193
Other Revenue	<u>9,900</u>	<u>9,900</u>	<u>5,348</u>	<u>(4,552)</u>
Total Resources	<u>232,400</u>	<u>232,400</u>	<u>213,294</u>	<u>(19,106)</u>
Charges to Appropriations (Outflows)				
Legislative	34,000	34,000	11,492	22,508
General Government				
Supervisor	8,000	8,000	6,536	1,464
Elections	4,000	4,000	3,154	846
Assessor	16,500	26,000	21,457	4,543
Attorney	1,500	644	-	644
Clerk	14,650	14,650	13,855	795
Board of Review	2,000	2,856	2,856	-
Treasurer	14,650	14,650	13,446	1,204
Township Hall	8,000	8,000	7,868	132
Cemetery	12,500	12,500	10,740	1,760
Public Safety				
Fire Department	56,000	69,400	69,392	8
Public Works				
Street Lighting	1,000	1,000	769	231
Highways	35,000	35,000	34,000	1,000
Drains	100	800	800	
Dust Control	10,500	10,500	9,098	1,402
Health and Welfare	1,000	1,000	1,000	-
Other				
Insurance, Bonds and Fringes	<u>13,000</u>	<u>13,000</u>	<u>9,962</u>	<u>3,038</u>
Total Charges to Appropriations	<u>232,400</u>	<u>256,000</u>	<u>216,425</u>	<u>39,575</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>(23,600)</u>	<u>(3,131)</u>	<u>20,469</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 273,653</u>	<u>\$ 250,053</u>	<u>\$ 270,522</u>	<u>\$ 20,469</u>

BALTIMORE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
For the Year Ended March 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 45,571	\$ 45,571	\$ 45,571	\$ -
Resources (Inflows)				
Taxes and Penalties	10,776	10,776	13,694	2,918
State Grants	3,532	3,532	3,526	(6)
Contributions from Local Units	22,726	22,726	25,887	3,161
Fines and Forfeits	8,848	8,848	8,797	(51)
Interest and Rentals	359	359	1,078	719
Other Revenue	<u>700</u>	<u>700</u>	<u>3,389</u>	<u>2,689</u>
Total Resources	<u>46,941</u>	<u>46,941</u>	<u>56,371</u>	<u>9,430</u>
Charges to Appropriations (Outflows)				
Recreational and Cultural				
Salaries and Fringes	19,770	19,770	19,243	527
Publications and Books	4,500	4,500	4,565	(65)
Utilities	3,000	3,000	4,596	(1,596)
Insurance	2,000	2,000	1,754	246
Repairs and Maintenance	-	-	51	(51)
Operating Expense	2,500	3,400	2,266	1,134
Automation	2,000	2,000	2,584	(584)
Supplies	2,000	-	2,715	(2,715)
Co-Op Costs	2,500	2,500	3,108	(608)
Capital Outlay	<u>1,000</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Charges to Appropriations	<u>39,270</u>	<u>37,270</u>	<u>40,882</u>	<u>(3,612)</u>
Excess of Resources Over (Under) Appropriations	<u>7,671</u>	<u>9,671</u>	<u>15,489</u>	<u>5,818</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 53,242</u>	<u>\$ 55,242</u>	<u>\$ 61,060</u>	<u>\$ 5,818</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2008

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Taxes and Penalties:				
Current Property Taxes			\$ 37,421	
Delinquent Property Taxes			4,355	
Collection Fees			13,630	
Mobile Home Tax			365	
Total Taxes and Penalties	\$ 68,500	\$ 68,500	<u>55,771</u>	\$ (12,729)
State Grants:				
State Revenue Sharing:				
Sales Tax			126,152	
Other			<u>2,578</u>	
Total State Grants	133,000	133,000	<u>128,730</u>	(4,270)
Charges for Services:				
Dust Control			9,252	
Cemetery Lots Sales			<u>1,000</u>	
Total Charges for Services	12,000	12,000	<u>10,252</u>	(1,748)
Interest and Rentals:				
Interest			10,043	
Rentals			<u>3,150</u>	
Total Interest and Rentals	9,000	9,000	<u>13,193</u>	4,193
Other Revenue:				
Reimbursements			2,556	
Miscellaneous			<u>2,792</u>	
Total Other Revenue	<u>9,900</u>	<u>9,900</u>	<u>5,348</u>	<u>(4,552)</u>
Total Revenues	<u>232,400</u>	<u>232,400</u>	<u>213,294</u>	<u>(19,106)</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2008

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Legislative:				
Township Board:				
Salaries			2,200	
Supplies			1,502	
Professional Fees			4,045	
Transportation			-	
Printing and Publishing			125	
Dues and Memberships			926	
Miscellaneous			2,694	
Total Legislative	<u>34,000</u>	<u>34,000</u>	<u>11,492</u>	<u>22,508</u>
General Government:				
Supervisor:				
Salary			6,427	
Transportation			72	
Dues and Memberships			20	
Miscellaneous			17	
Total Supervisor	<u>8,000</u>	<u>8,000</u>	<u>6,536</u>	<u>1,464</u>
Elections:				
Wages			1,620	
Supplies			497	
Postage			391	
Miscellaneous			646	
Total Elections	<u>4,000</u>	<u>4,000</u>	<u>3,154</u>	<u>846</u>
Assessor:				
Wages			13,125	
Supplies			460	
Postage			430	
Contracted Services			7,112	
Miscellaneous			330	
Total Assessor	<u>16,500</u>	<u>26,000</u>	<u>21,457</u>	<u>4,543</u>
Attorney:				
Contracted Services			-	
Total Attorney	<u>1,500</u>	<u>644</u>	<u>-</u>	<u>644</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2008

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
General Government (Continued)				
Clerk:				
Salary			9,817	
Other Wages			557	
Education			305	
Supplies			167	
Postage			27	
Transportation			1,581	
Dues and Memberships			10	
Miscellaneous			<u>1,391</u>	
Total Clerk	14,650	14,650	<u>13,855</u>	795
Board of Review:				
Per Diem and Fees			2,085	
Education			336	
Printing and Publishing			215	
Miscellaneous			<u>220</u>	
Total Board of Review	2,000	2,856	<u>2,856</u>	-
Treasurer:				
Salary			9,817	
Other Wages			875	
Supplies			1,039	
Postage			1,162	
Transportation			122	
Dues and Memberships			10	
Miscellaneous			<u>421</u>	
Total Treasurer	14,650	14,650	<u>13,446</u>	1,204
Township Hall:				
Salaries			300	
Supplies			790	
Contracted Services			865	
Telephone			913	
Utilities			3,323	
Repairs and Maintenance			1,498	
Miscellaneous			<u>179</u>	
Total Township Hall	8,000	8,000	<u>7,868</u>	132

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2008

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
General Government (Continued):				
Cemetery:				
Supplies			242	
Contracted Services			6,950	
Utilities			226	
Repairs and Maintenance			1,122	
Miscellaneous			2,200	
Total Cemetery	<u>12,500</u>	<u>12,500</u>	<u>10,740</u>	<u>1,760</u>
Total General Government	<u>81,800</u>	<u>91,300</u>	<u>79,912</u>	<u>11,388</u>
Public Safety:				
Fire Department:				
Contracted Services			69,392	
Total Fire Department	<u>56,000</u>	<u>69,400</u>	<u>69,392</u>	<u>8</u>
Total Public Safety	<u>56,000</u>	<u>69,400</u>	<u>69,392</u>	<u>8</u>
Public Works:				
Street Lighting:				
Utilities			769	
Total Street Lighting	<u>1,000</u>	<u>1,000</u>	<u>769</u>	<u>231</u>
Highways:				
Contracted Services			34,000	
Total Highways	<u>35,000</u>	<u>35,000</u>	<u>34,000</u>	<u>1,000</u>
Drains:				
Drains			800	
Total Drains	<u>100</u>	<u>800</u>	<u>800</u>	<u>-</u>
Dust Control:				
Salaries			531	
Contracted Services			8,333	
Transportation			75	
Printing and Publishing			120	
Miscellaneous			39	
Total Dust Control	<u>10,500</u>	<u>10,500</u>	<u>9,098</u>	<u>1,402</u>
Total Public Works	<u>46,600</u>	<u>47,300</u>	<u>44,667</u>	<u>2,633</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2008

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Health and Welfare				
Green Gables			<u>1,000</u>	
Total Health and Welfare	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Other:				
Retirement			3,033	
Fringes			2,781	
Insurance and Bonds			<u>4,148</u>	
Total Other	<u>13,000</u>	<u>13,000</u>	<u>9,962</u>	<u>3,038</u>
Total Expenditures	<u>232,400</u>	<u>256,000</u>	<u>216,425</u>	<u>39,575</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>(23,600)</u>	<u>(3,131)</u>	<u>20,469</u>
Fund Balance-April 1, 2007	<u>273,653</u>	<u>273,653</u>	<u>273,653</u>	<u>-</u>
Fund Balance-March 31, 2008	<u>\$ 273,653</u>	<u>\$ 250,053</u>	<u>\$ 270,522</u>	<u>\$ 20,469</u>



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June 26, 2008

To the Township Board
Baltimore Township
Barry County, Michigan

We have recently completed an audit of the financial statements of Baltimore Township, Barry County, Michigan for the year ended March 31, 2008. During the course of the audit, the following items came to our attention, which requires further comment.

Budgeting

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township over expended in several areas in the Library fund. The Township currently monitors the budgets and makes amendments periodically.

It is our recommendation that expenditures be compared in relation to amounts appropriated on a monthly basis for the General and all Special Revenue Funds. The Library should adopt the budget at the department level. The Township board has oversight responsibility and should also monitor the Library budget. If it is apparent that there will be a budget violation, the Township should amend the budget by indicating the dollar amounts and appropriations to be affected. Consideration should be taken at year-end for any known audit adjustments that may arise.

Receipt Book

During the course of the audit, it was noted that the library was not utilizing a receipts book to record money collected.

A pre-numbered duplicate receipts book should be used to record all payments received. The receipt should indicate the date collected, the payer, the amount and whether the payment was made in cash or check. The top copy should be given to the customer and the bottom copy should be kept in tact in the book. The receipts should indicate which are added together to make one deposit. Receipts records provide valuable tracking information and internal controls over cash payments.

It is recommended that the library start using a pre-numbered receipts book for all money received.

General Ledger Cash Should Be Reconciled to the Treasurer's Records Monthly

During the course of the audit, it was noted that the cash accounts in the general ledger had not been reconciled to the Treasurer's reconciled statements on a monthly basis. It was also noted monthly bank reconciliations were not being printed. Additional bookkeeping work is outside the normal procedures required by an audit and results in additional costs to the Township.

One of the most important internal control procedures is for the Clerk and Treasurer to reconcile their books to the reconciled bank statements for all bank accounts maintained by the Treasurer. This step verifies that all the activity of the Township has been recorded in the Township general ledger.

We recommended bank reconciliations are printed and saved. Also, the bank reconciliations should be compared to the Clerk's general ledger on a monthly basis. Differences should be investigated in a timely manner. Adjustments should be made to the general ledger as necessary.

We would like to take this opportunity to thank the Baltimore Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.



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To the Township Board
Baltimore Township
Barry County, Michigan

In planning and performing our audit of the financial statements of Baltimore Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Baltimore Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Baltimore Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI
June 26, 2008

Walker, Fluke & Sheldon, PLC